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Measuring the profitability returns-to-scale of expenditures on intangibles. Evidence from growth companies at Neuer Markt

This paper extends the scope of testing the winner-takes-all model to many high growth and technology firms, not only Internet ones. This model predicts that profitability of expenditure on branding, research and product developments and structural intangibles, is increasing in the scale of sums spent on such intangibles. We will estimate the profitability of that expenditure using quarterly financial statement data from 50 German firms on the Neuer Markt over the twenty one quarter period 1998 : q1 – 2003 : q1.

Results of estimating the profitability of the marginal Euro spent on each intangible through a panel data analysis, are consistent with the proposition that a winner-takes-all business landscape could characterize the growth and technology sector in Germany, particularly for research and development intangibles.

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